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World Health Organization

Taxes on sugary drinks: Why do it?

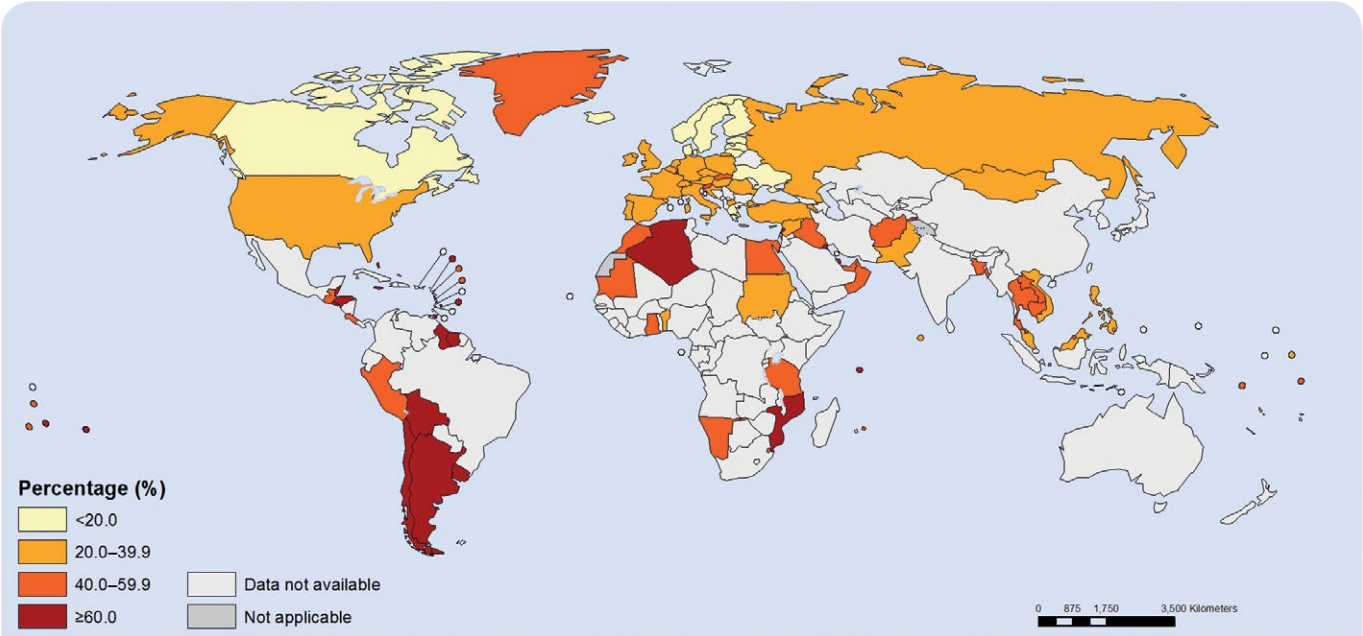
Sugary drinks[1] – a major contributor to obesity and diabetes

- Over-consumption of sugar is a major contributor to obesity, diabetes and tooth decay.
- In the current food environment it is very easy to consume too much sugar, especially from sugary drinks.
- Sugary drinks are a major source of sugar in the diet, and its consumption is increasing in most countries, especially amongst children and adolescents.
- On average, a single can of a sugary drink contains around 40 grams of free sugars[2] (equivalent to around 10 teaspoons of table sugar).
- WHO guidelines recommend that, to prevent obesity and tooth decay, adults and children reduce their consumption of free sugars to less than 10% of their daily energy intake (equivalent to around 12 teaspoons of table sugar for adults). The guidelines suggest further reducing intake of sugars to below 5% of daily energy intake (around 6 teaspoons of table sugar for adults) for additional health benefits *(1)*.

[1] Sugary drinks are defined as all types of beverages containing free sugars and these include carbonated or non-carbonated soft drinks, fruit/vegetable juices and drinks, liquid and powder concentrates, flavoured water, energy and sports drinks, ready-to-drink tea, ready-to-drink coffee, and flavoured milk drinks.

[2] Free sugars refer to monosaccharides (such as glucose, fructose) and disaccharides (such as sucrose or table sugar) added to foods and drinks by the manufacturer, cook or consumer, and sugars naturally present in honey, syrups, fruit juices and fruit juice concentrates.

Percentage of adolescents who drink soft drinks daily



Data Sources: Global School-based Student Health Survey; Health Behaviour in School-aged Children (HBSC) Study: International Report from the 2009/2010 Survey.

Map Production: Information Evidence and Research (IER) World Health Organization

Problem

- The worldwide prevalence of obesity has nearly tripled since 1975 *(2)*.
- An estimated 39% of adults were overweight in 2014, and 13% were obese *(3)*.
- Some 41 million children under the age of 5 were overweight or obese in 2016 *(4)*.
- The number of obese children and adolescents rose from 11 million in 1975 to 124 million in 2016 – a tenfold increase *(2)*.
- The prevalence of overweight in pre-school aged children is increasing fastest in low- and lower middle-income countries.
- People who consume sugary drinks regularly – 1 to 2 cans a day or more – have a 26% greater risk of developing type 2 diabetes than people who rarely consume such drinks *(5)*.
- The number of people with diabetes has risen from 108 million in 1980 to 422 million in 2014 *(6)*.
- Apart from diabetes, obesity is a major risk factor for heart diseases, cancers and other diseases.

Costs

- From 2011 to 2030, losses in gross domestic product worldwide due to diabetes, including both direct and indirect costs, are expected to total US$ 1.7 trillion, US$ 900 billion in high-income countries and US$ 800 billion in low- and middle-income countries *(7)*.

What we can do

Governments can take a number of actions to improve availability and access to healthy foods and have a positive influence on the food people choose to consume. A major action for comprehensive programmes aimed at reducing consumption of sugars is taxation of sugary drinks. Just as taxing tobacco helps to reduce tobacco use, taxing sugary drinks can help reduce consumption of sugars.

Benefits

Taxes on sugary drinks help reduce consumption and prevent obesity

- Taxation on sugary drinks is an effective intervention to reduce sugar consumption *(8)*.
- Evidence shows that a tax on sugary drinks that rises prices by 20% can lead to a reduction in consumption of around 20%, thus preventing obesity and diabetes *(9)*.

Savings on healthcare

- Estimates suggest that, over 10 years, a tax on sugary drinks of 1 cent per ounce in the United States of America would result in more than US$ 17 billion in healthcare cost savings *(10)*.

Revenues raised from taxes can be used to promote the health of the population

- This tax could generate approximately US$ 13 billion in annual tax revenues in the United States of America in 2016 *(11)*.
- Based on 2014 data, a tax on sugary drinks of 1 yuan (US$ 0.16) per litre in China would generate an estimated 73.6 billion yuan (US$ 11.8 billion) in revenues *(12)*.
- Revenue generated by these taxes could be spent on efforts to improve health care systems, encourage healthier diets, increase physical activity, or build capacity for effective tax administration, further increasing the value of this measure.

Low-income consumers and young people get the greatest health benefits from taxes

- In Mexico, two years after the introduction of a tax on sugary drinks, households with the fewest resources reduced their purchases of sugary drinks by 11.7%, compared to 7.6% for the general population *(13)*.

To reduce over-consumption of sugars and halt the epidemic of obesity and diabetes, countries need comprehensive action plans that combine taxation, restriction of marketing of sugary products to children, and education.

CASE STUDY

Evidence shows that implementing taxes on sugary drinks leads to reduced consumption of these products. Several countries are well on their way to implementing taxes on sugary drinks.

In January 2014, the government of Mexico added a 1 peso per litre excise tax on any non-alcoholic beverage with added sugar (powder, concentrates or ready-to-drink) to the country's Special Tax on Production and Services, which is paid by the producer and represents about a 10% increase in price for the consumer.

A study conducted by the Mexican National Institute of Public Health and the University of North Carolina evaluating the first two years of implementation showed an average reduction of 7.6% in the purchase of taxed sugary drinks during 2014 and 2015. Households with the fewest resources had an average reduction in purchases of 11.7%. The study showed a 2.1% increase in purchases of untaxed beverages, particularly purchased bottled water *(13)*.

Over US$ 2.6 billion was raised during the first two years of implementation; some of this revenue is beginning to be invested towards installing water fountains in schools across Mexico *(14)*.



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